



Superior Court of the State of California  
County of Mariposa

F. Dana Walton  
Presiding Judge

Michael A. Fagalde  
Assistant Presiding Judge

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February 3, 2020

Re: Mariposa County 2019-2020 Grand Jury Interim Report

The current Mariposa County Grand Jury has completed the interim report and reference to your department has been made. Pursuant to Penal Code §933.05(b)(4)(f), this report is being released to your department two (2) working days prior to its public release. Please be advised you are not to disclose any of the contents prior to the public release of the report.

Please submit your response to the report within ninety (90) days to the Honorable F Dana Walton, Assistant Presiding Judge of the Superior Court. Copies of responses will be placed in the final report and said report will be filed with the Mariposa County Clerk.

To assist you with your response, I have enclosed a photocopy of Penal Code §933.05 setting forth the suggested form.

Sincerely,

Honorable F. Dana Walton  
Presiding Judge of Mariposa Superior Court



**PENAL CODE - PEN**

**PART 2. OF CRIMINAL PROCEDURE [681 - 1620]** ( Part 2 enacted 1872. )

**TITLE 4. GRAND JURY PROCEEDINGS [888 - 939.91]** ( Title 4 repealed and added by Stats. 1959, Ch. 501. )

**CHAPTER 3. Powers and Duties of Grand Jury [914 - 939.91]** ( Chapter 3 added by Stats. 1959, Ch. 501. )

**ARTICLE 2. Investigation of County, City, and District Affairs [925 - 933.6]** ( Heading of Article 2 amended by Stats. 1973, Ch. 1036. )

(a) For purposes of subdivision (b) of Section 933, as to each grand jury finding, the responding person or entity shall indicate one of the following:

**933.05.** (1) The respondent agrees with the finding.

(2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefor.

(b) For purposes of subdivision (b) of Section 933, as to each grand jury recommendation, the responding person or entity shall report one of the following actions:

(1) The recommendation has been implemented, with a summary regarding the implemented action.

(2) The recommendation has not yet been implemented, but will be implemented in the future, with a timeframe for implementation.

(3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.

(4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefor.

(c) However, if a finding or recommendation of the grand jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the board of supervisors shall respond if requested by the grand jury, but the response of the board of supervisors shall address only those budgetary or personnel matters over which it has some decisionmaking authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.

(d) A grand jury may request a subject person or entity to come before the grand jury for the purpose of reading and discussing the findings of the grand jury report that relates to that person or entity in order to verify the accuracy of the findings prior to their release.

(e) During an investigation, the grand jury shall meet with the subject of that investigation regarding the investigation, unless the court, either on its own determination or upon request of the foreperson of the grand jury, determines that such a meeting would be detrimental.

(f) A grand jury shall provide to the affected agency a copy of the portion of the grand jury report relating to that person or entity two working days prior to its public release and after the approval of the presiding judge. No officer, agency, department, or governing body of a public agency shall disclose any contents of the report prior to the public release of the final report.

(Amended by Stats. 1997, Ch. 443, Sec. 5. Effective January 1, 1998.)

**MARIPOSA COUNTY**  
**2019/2020 GRAND JURY**  
**INTERIM REPORT**



*Pursuant California Penal Code §925 and 933(a), "each Grand Jury shall submit to the Presiding Judge of the Superior Court a final report of its findings and recommendations that pertain to county government matters during the fiscal or calendar year".*

# John C. Fremont Healthcare District

## SUMMARY

The 2019/2020 Mariposa County Civil Grand Jury (MCCGJ) identified the John C. Fremont Healthcare District as an entity for investigation for its empaneled term. It was selected without malice or receipt of any complaint. It was selected due to several important and relevant issues for Mariposa County, including:

- The general health and welfare of the residents of Mariposa County.
- Providing emergency care to those in Mariposa County and Yosemite National Park.
- Contributing to the local economy as the second largest employer in Mariposa County.
- Mandated compliance with California State law AB1953 requiring John C. Fremont Healthcare District to meet minimum seismic code requirements by year 2030.

## GLOSSARY

MCCGJ – Mariposa County Civil Grand Jury

JCF – John C. Fremont Healthcare District, a general medical and surgical facility

## BACKGROUND

The John C. Fremont Healthcare District (JCF) is a political subdivision of the State of California under the Local Healthcare District law. The Hospital District was founded and formed in 1947 by the voters of Mariposa County. It was dedicated and commissioned in 1951 as a general acute healthcare facility.

Today, the facility is a 34 bed District hospital providing services including medical clinics, inpatient care, outpatient care services, skilled nursing, home health, hospice, laboratory, imaging and mammography radiology and cardiopulmonary services along with JCF helicopter airlift services. In addition, the hospital provides emergency medical services (ER) along with education and wellness programs. The mission of the John C. Fremont Healthcare District is: “To excel in the provision of quality health care services” and the vision is: To be the organization of choice for community health care.

### **SUMMARY:**

The 2019/2020 Mariposa County Civil Grand Jury charged the Audit & Finance Committee with the oversight, investigation, and review of the John C. Fremont Healthcare District. The MCCGJ focused its review on three central issues:

1. The current operational matrix of the functions of the hospital.
2. The current financial condition of the hospital and its trending.
3. The proposed remodeling options needed to obtain compliance with State bill AB1953 seismic regulations by year 2030.

To this end, elements of the committee in conjunction with other Grand Jurors interviewed senior management relative to the scope of the investigation. This interview was preceded by an onsite visit of the hospital by members of the Grand Jury on November 7, 2019. During the interview, the committee requested various financial documents that are routinely supplied to the Board of Directors along with copies of the agendas and minutes of the previous 4 meetings. These documents and financial statements are relative to understanding the current financial condition of the hospital. Those documents include:

- Balance sheets
- Income Statements
- Cash Flow Statements
- Capital Budgets
- 2019/2020 Budget

Upon analysis, the MCCGJ Audit & Finance Committee ascertained that the Hospital District maintains its financial records in conformity with guidelines set forth by the Local Healthcare District Law and the Office of Statewide Health Planning and Development. In addition, the financial statements were prepared in accordance with accounting principles generally accepted in the United States (GAAP) as prescribed by the Government Accounting Standards Board.<sup>1</sup>

It is the summary opinion of the Grand Jury that the referenced financial statements are presented fairly, in all material respects, and accurately reflect the financial position of the Hospital District as of October 31, 2019. Future budget estimates were determined to be realistic, attainable, and reasonable.

## **PROCESS**

As earlier stated, the 2019/2020 MCCGJ Audit & Finance Committee and other Grand Jurors interviewed senior management of the hospital on December 5, 2019.

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<sup>1</sup> See Financial Accounting Foundation Generally Accepted Accounting Principles (GAAP) and State and Local Governments Overview, <https://www.accountingfoundation.org/jsp/Foundation/Page/FAFBridgePage&cid=1176164539408>, accessed 1/22/2020.

## DISCUSSION

JCF senior management identified and outlined various components of hospital functions and services to MCCGJ which included:

- Statistics relative to various hospital functions
- Emergency Lifesaving Care (ER)
- Other geographical hospital alternatives relative to John C. Fremont
- Emergency JCF-based helicopter transport service
- 3D Mammography imaging
- Inpatient and long term medical care
- Hiring of a Chief Medical Officer to assist administration team
- Community Impact analysis should the hospital become non-compliant
- AB1953 seismic regulation requirements

Several components related to hospital operations were identified. Among those were noted a 103% increase in ER services over the previous 4 years. JCF helicopter (co-op services with Riggs) logged 350 total flights over a two year period. JFC maintains new 3D mammography equipment, new MRI CT scanner equipment, and employs a radiologist to provide services and procedures using this equipment.

The MCCGJ reviewed the financial impact the hospital has upon the Mariposa County community. It was noted that the hospital supplied nearly 1 million dollars per month to hospital employees in the form of wages and benefits, which in large part is redistributed into the county. It was also noted that the county jail medical services provided by the hospital

amounted to annual savings to the county of over \$200,000.00. Without this service, law enforcement personnel would have to transport prisoners to other health care facilities at greater costs.

In respect to AB1953, the Grand Jury identified and reviewed three general proposals to be put forth for obtaining compliance by January 1, 2030.

OPTION 1 Retro fit the existing hospital at an estimated cost of 35-40 million dollars.

OPTION 2 Build a new hospital at an estimated cost of 75-80 million. This option would continue to utilize various non-patient out buildings which are not subject to AB1953.

OPTION 3 Build an “Everything Brand New” hospital from the ground up. At this time, the JCF Board of Directors is proposing option 2 to the public as the option of choice and is seeking voter approval in the November election. The financial proposal for voter ballot approval would consist of:

1. An increase in county property taxes.
2. A 1.0% increase in county sales tax rate (this would cover approximately 1/3 of the total cost of the project).
3. Use of grants and possible large donations through various foundations.

The MCCGJ performed an in-depth analysis of the financial condition of the hospital in order to ascertain its continued ability to deliver quality healthcare services in addition to the ability to upgrade aging equipment. This review revealed several items of note:



- As of October 2019, financial statements reflect current cash on hand representing 145 days operating cash. This is a slight decrease from September 2019 (146 days COH). It is relevant to note that year to date (YTD) COH has improved by 40 days.
- Current YTD operating expenses are under budget. This is mainly due to lower than budgeted salary, wages, and benefits for year 2019.
- YTD net income shows a positive gain as compared to a budget projection of a loss. This variance to budget is due to a higher than expected net revenue and a lower than expected net expenses.
- An analysis of the 2020 budget projections reveals a reduction of net income as compared to budget year 2019. This variance is due to an expected increase in salary, wages, and benefits due to hiring additional medical staff.
- An analysis of the 2020 capital budget shows a substantial increase from 2019. This is illustrated in the purchase of new MRI equipment as well as upgrades to existing equipment. The cost of new MRI equipment is off-set by a projected 32% increase in revenue for MRI imaging.

## **FINDINGS**

1. Overall, JCF appeared to be clean, well kept, and suited to administer its mission. The employees we encountered appeared to be professional, knowledgeable, and forthcoming with answers to questions from Grand Jurors. Senior management has done an outstanding job in bringing the hospital to a stable financial position.
2. JCF is 68 years old and will be required to undergo construction and retrofit in order to meet minimum standards set down by The State of California. Senior management will

be required to plan, execute, and complete the project by 1/1/2030 in order to be deemed compliant.

3. There were currently no identified or verified sources for the necessary funding to complete the required work on the hospital to achieve compliance. Although JCF's senior management has done a very good job in improving its profitability, it is unlikely that the hospital will be able to fund this construction project unilaterally. It is noteworthy to state that JCF senior management has consulted with an architectural company, an experienced hospital construction company, a political strategist, and an experienced bond consultant.
4. In addition to the required seismic upgrade work there are construction and other necessities the hospital must undertake in order to keep pace with needed services to the public, including parking lots and administrative support.
5. If the hospital is unable to secure the necessary funding, the state will not allow the hospital to continue operations in its present form. Therefore, it is feasible that the Mariposa County community, and its aging populations, may find itself without a medical hospital facility, including emergency facilities. The John C. Fremont Healthcare District is a vital asset for Mariposa County and it is imperative that the District remain a viable operation in the community.
6. There appears to be no comprehensive process for creating a strategic plan. As of this review, construction of one does not appear to be a priority.

7. Management appears to be totally committed to educating the general county population of the dilemma the hospital faces in making the hospital compliant with state bill AB1953.
8. Management has done a good job of improving the image and reputation of the hospital within the general public.
9. There were no complaints received from the public.

## **RECOMMENDATIONS**

1. The John C. Fremont Healthcare District should immediately and aggressively pursue planning for the necessary and required construction, retrofit, and repairs to the hospital in order to obtain compliance with AB1953 by year 2030.
2. JCF must aggressively pursue all avenues of funding, including grants, large donor contributions and other financial forms of finance.
3. JCF must construct a detailed written multi-faceted strategic plan identifying goals, objectives, and realistic strategies designed to obtain the facilities, equipment, and personnel needed to maintain its mission and vision.
4. Senior management and members of the Board of Directors must continue to promote the hospital as a quality healthcare center which utilizes state of the art equipment, a highly trained professional medical staff, a quality customer service philosophy.

## **REQUEST FOR RESPONSE**

Pursuant to Penal Code sections 933 and 933.05, the Grand Jury requests a response from the following governing body within 90 days:

Mariposa County Board of Supervisors

**INVITED RESPONSE**

From the following within 90 days:

John C. Fremont District Board of Directors, as to the estimated financial requirements needed for the three proposals to obtain compliance with AB1953. The response should include accurate estimates along with supporting documents of the actual costs of the projects that would be submitted to the taxpayers and/or general public for approval in November 2020. These disclosures will be necessary in order to obtain transparency with the public.

Reviewed: 

Honorable F. Dana Walton Per PC933